MADD
Activism | Victim Services | Education™

SENATE TAXATION
EXHIBIT NO. 2
DATE 2-10-05
BILL NO. SB 343

Mothers Against Drunk Driving
GALLATIN COUNTY
P.O. Box 11002
Bozeman, MT 59719-1002
Phone (406)585-4225
Fax (406)585-3009

February 11, 2005

Senate Taxation Committee
Hearing on SB 343

Good morning, Mr. Chairman and members of the Committee. For the record my name is Bill Muhs, from Bozeman, where I am currently Public Policy Liaison for Mothers Against Drunk Driving - Gallatin County. I was also a member of the Governor's Task Force on Alcohol, Tobacco, and Other Drugs. Two and one half years ago, the Task Force made approximately 66 strategic recommendations based upon its research. I would like to cite four alarming findings from this Living Document.

Health officials and members of the judicial system in Montana agree that we are in great need of more public substance abuse treatment facilities for adults as well as an adolescent treatment facility, which we currently do not have. Outpatient treatment centers have month-long waiting lists. These are only two examples of the critical treatment and prevention needs in Montana. Others here today will surely elaborate on the need for funding our treatment and prevention needs. As a society we can chose to invest now to prevent tragedies and address escalating substance abuse problems, or pay a much greater cost in the future. Montana collects only a small fraction of the alcohol related healthcare costs from alcohol excise taxes. Who should pay for these costs? The taxpayers of Montana by way of general taxes? Or those who consume most of the alcohol and thus account for the majority of the alcohol-related expenses?

Research tells us that beer accounts for 81 percent of all the alcohol that is reported being consumed in hazardous amounts in the U.S. Beer has been the drink of choice for the majority of the alcohol-related traffic fatalities in our country. Alcohol is the gateway drug for our youth and beer predominates as the drink of choice among underage drinkers because of its low cost. In real terms, beer is much cheaper today than it was in the 1960's or 1970's. In some cases, beer is cheaper than soft drinks or milk. This is due in part to the failure of beer excise taxes to keep up with inflation. In Montana, the current beer excise tax is 1.3 cents per 12 ounces of beer, which has had one major increase in the last 35 years. If adjusted for inflation, the tax should be 4.6 cents per can of beer.

It is a common myth that most people in the U.S. drink alcoholic beverages. In actuality, a large majority of Americans either do not drink or drink infrequently. Heavy or high risk drinkers account for 16 percent of the population, but they drink 75 percent of all the alcohol consumed in the U.S. Thus the impact on the moderate or non-drinker would be minimal, whereas the effect on the heaviest drinkers would benefit everyone – they could either cut down on consumption or contribute more to the medical and other costs caused by excessive drinking. The real problem we face is that we are not collecting enough tax revenue to even come close to paying for the economic and social costs of alcohol abuse

in Montana. Furthermore, we are only earmarking a small portion of alcohol excise taxes for prevention and treatment in Montana.

Senate Bill 343 proposes to increase the beer excise tax by a nickel a can. This is a reasonable increase in a user tax that will provide additional revenue for treatment facilities and prevention programs. Research has shown that the public supports additional alcohol taxes, especially if they are to be used for prevention and treatment programs. In the last few years, citizens in Alaska increased their excise tax to a "dime a drink" and in Minnesota to "a nickel a drink," with no apparent decline in alcohol sales. Alcohol is a discretionary item, not a necessity. In most other states, beer drinkers also pay a sales tax on their beer, which we do not collect, making our beer comparatively cheaper. Most Montanans would only pay a few extra cents in additional tax per week. This is a small price to pay for delivering the level of prevention and treatment our citizens deserve.

Sincerely,

William F. Muhs
Public Policy Liaison
MADD-Gallatin County
Member, Governor's Task Force on Alcohol, Tobacco, and Other Drugs